

Message Text

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43

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-10 ISO-00 FEA-01 AGR-10

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /123 W

----- 026512

R 111113Z AUG 75

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 215

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY BEIRUT

AMEMBASSY NAIROBI

AMEMBASSY LONDON

UNCLAS KHARTOUM 1863

E.O. 11652: N/A

TAGS: EFIN, EIND, EINV, SU

SUBJECT: FOREIGN DIRECT INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. FOLLOWING IS POST'S NARRATIVE STATEMENT ON CLIMATE FOR
FOREIGN INVESTMENT IN SUDAN:

QUOTE - THROUGH THE "DEVELOPMENT AND PROMOTION OF INDUSTRIAL
INVESTMENT" ACTS OF 1972 AND 1974 THE SUDAN HAS DEMONSTRATED
A GENUINE INTEREST IN ATTRACTING FOREIGN INVESTMENT. THE
LEGISLATION, WHICH DOES NOT DISTINGUISH BETWEEN DOMESTIC AND
FOREIGN INVESTMENT (OTHER THAN IN THE REMITTANCES PROVISIONS),
GIVES THE MINISTRY OF INDUSTRY AUTHORITY TO GRANT TAX HOLIDAYS
AND OTHER IMPORTANT CONCESSIONS, INCLUDING SOME NOT SPECIFICALLY
MENTIONED IN THE ACTS. A RESPECTABLE NUMBER OF NEW VENTURES HAVE
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RESULTED, NOTABLY FACTORIES FOR THE SPINNING AND WEAVING OF COTTON,

FOR OIL EXTRACTION, FOR SUGAR REFINING, AND FOR THE ASSEMBLY AND PARTIAL MANUFACTURE OF PRODUCTS FORMERLY IMPORTED IN FINISHED FORM. PERHAPS \$150 MILLION IN NEW PRIVATE INVESTMENT, \$55 MILLION OF IT FOREIGN, HAS OCCURRED SINCE 1972. MUCH MORE CAN BE EXPECTED IN THE NEXT THREE YEARS AS PROJECTS CURRENTLY UNDER STUDY ARE IMPLEMENTED, AS INFRASTRUCTURAL OBSTACLES ARE ELIMINATED, AND AS THE SUDAN'S REPUTATION AS A SAFE AND PROFITABLE PLACE TO INVEST SPREADS THROUGHOUT THE ARAB AND WESTERN WORLD. THE ONLY CLOUD IN AN OTHERWISE FAVORABLE POLICY ENVIRONMENT IS THE TENDENCY OF THE NEW MINISTER OF INDUSTRY AND MINING TO DELAY THE ISSUANCE OF INDUSTRIAL LICENSES IN GENERAL AND TO DISCOURAGE INVESTMENT IN IMPORT-SUBSTITUTION PROJECTS AND MINING VENTURES IN PARTICULAR. IT IS UNLIKELY, HOWEVER, THAT HE (OR ANY OTHER MINISTER) WILL TRY TO ADOPT POLICIES GIVING PRIORITY TO STATE, AS OPPOSED TO PRIVATE, CAPITALISM. THE SUDAN HAS A TRULY MIXED ECONOMY, AND ITS EXPERIENCE WITH NATIONALIZATION AND CONFISCATION IN 1969-71 - AND WITH THE APPALLING OPERATION OF MOST STATE COMPANIES TODAY - VIRTUALLY GUARANTEES THAT THE PRIVATE SECTOR WILL BE ALLOWED TO PLAY AN IMPORTANT AND RELATIVELY UNMOLESTED ROLE IN THE DEVELOPMENT OF THE COUNTRY.

WHILE BUSINESSMEN CANNOT COMPLAIN ABOUT THE SUDAN'S INVESTMENT POLICIES, THEY DO FACE SIGNIFICANT PROBLEMS WHICH WILL DETER PROSPECTIVE NEW INVESTORS; A SKELETAL TRANSPORT SYSTEM; CHRONIC SHORTAGES OF FOREIGN EXCHANGE AND, AS A RESULT, OF THE GOODS IT BUYS; AND A CUMBERSOME BUREAUCRACY. SENSIBLE PROJECTS ARE UNDER WAY TO IMPROVE TRANSPORT AND COMMUNICATIONS, AND THE FOREIGN EXCHANGE SITUATION, THROUGH OCCASIONAL ARAB CASH LOANS, ALWAYS SEEMS TO IMPROVE JUST WHEN THINGS LOOK BLEAKEST. IN THE END, THE BUREAUCRATIC PROBLEM WILL PROBABLY PROVE TO BE THE MOST INTRACTABLE, SINCE IT STEMS FROM BASIC SUDANESE CULTURAL FACTORS WHICH WILL TAKE GENERATIONS TO CHANGE. NOT UNTIL THE COUNTRY BEGINS TO KICK THE BOKRA ("TOMORROW") AND MAA LAYCH ("IT DOESN'T MATTER") HABITS IS A SUSTAINABLE ECONOMIC TAKE-OFF GOING TO BE POSSIBLE.

ON BALANCE, THE SUDAN'S INVESTMENT CLIMATE IS GOOD. THERE IS AMPLE LOCAL ENTREPRENEURSHIP, A RELATIVELY WELL-TRAINED AND RESPONSIVE WORK FORCE, AND AN OPENNESS TO MODERN TECHNOLOGY

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AND CAPITAL-INTENSIVE METHODS OF PRODUCTION. OPIC INSURANCE IS AVAILABLE FOR U.S. INVESTORS. AFTER YEARS OF STAGNATION, DEVELOPMENT EXPENDITURES HAVE SKY-ROCKETED, AND, FOR ALL ITS SLEEPY APPEARANCE, KHARTOUM IS FAIRLY HUMMING WITH ACTIVITY COMPARED TO PAST YEARS. FOR MANY COMPANIES THE TIME MAY NOT YET BE PROPITIOUS TO INVEST, BUT IT CERTAINLY WOULD NOT BE TOO EARLY TO COME AND HAVE A LOOK AROUND. UNQUOTE

2. INVESTMENT STATISTICS (\$ MILLION)

A. U.S. DIRECT INVESTMENT AT END OF 1974

TOTAL	19.5
MINING/SMELTING	NIL
PETROLEUM (INCL. EXPLORATION EXPENSES CAPITALIZABLE ONLY IF COMMERCIALY EXPLOITABLE OIL IS FOUND)	17.0
MANUFACTURING	2.3
OTHER	.2

B. DIRECT INVESTMENT BY ALL COUNTRIES AT END OF 1974

TOTAL	144.5
KUWAIT	60.0
U.K. (INCLUDES SHELL/BP)	25.0
EGYPT	15.0

C. DIRECT INVESTMENT IN U.S. BY SUDANESE NIL

SOURCE: EMBASSY ESTIMATES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, INVESTMENT OPPORTUNITY REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975KHARTO01863
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750276-0842
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750865/aaaacewm.tel
Line Count: 134
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 14 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 FEB 2003 by ReddocGW>; APPROVED <09 FEB 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN DIRECT INVESTMENT CLIMATE AND STATISTICS
TAGS: EFIN, EIND, EINV, SU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006